



Estimated State Tax Revenue

November 20, 2017

Fiscal Year 2017 Tax Revenue

COMPARISON OF ACTUAL ACCRUAL STATE TAX REVENUE

DEPARTMENT OF REVENUE TAXES

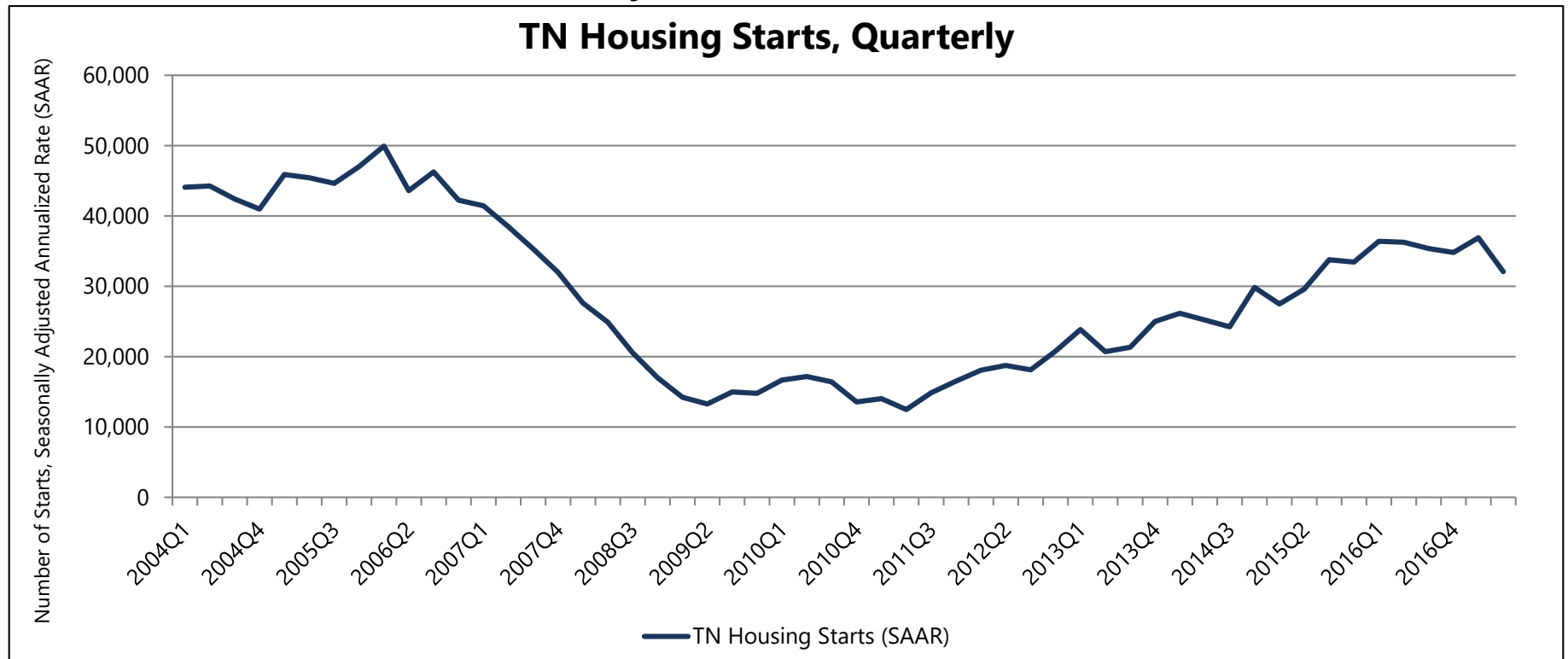
YEAR OVER YEAR COMPARISON

	Fiscal Year 2016	Fiscal Year 2017	% Change	Tax Weight	Total % Point Contribution
Sales and Use Tax	\$8,267,224,400	\$8,556,773,600	3.50%	61.56%	2.16%
Hall Dividend & Interest Tax	322,356,000	250,126,200	-22.41%	2.40%	-0.54%
Corporate Franchise and Excise Tax	2,311,705,100	2,620,205,200	13.35%	17.21%	2.30%
Gasoline Tax	659,915,000	669,631,000	1.47%	4.91%	0.07%
Other	1,867,996,800	1,886,922,400	1.01%	13.91%	0.14%
TOTAL ACCRUAL REVENUE	\$13,429,197,300	\$13,983,658,400	4.13%	100%	4.13%

*Data from F&A

Housing

- Housing starts decreased 0.5% from FY 2016 – FY 2017
- By the end of FY 2018, housing starts are expected to increase 5.85% from a year earlier



Tax Implications

Direct Revenue Implications of Increased Housing Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Building Materials

	Collections	YOY % Growth	YOY \$ Growth
May	\$46,360,802	5.62%	\$2,466,060
June	\$44,866,045	12.72%	\$5,061,811
July	\$45,838,336	2.58%	\$1,152,169
August	\$41,872,981	10.00%	\$3,804,993
September	\$38,941,994	6.41%	\$2,344,554
October	\$41,805,939	6.48%	\$2,542,787
		7.17%	\$17,372,374

Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY \$ Growth
May	\$12,743,631	-7.96%	-\$1,101,607
June	\$15,705,557	2.26%	\$346,372
July	\$15,913,767	7.73%	\$1,141,283
August	\$15,057,830	11.98%	\$1,611,456
September	\$15,317,780	-0.17%	-\$26,507
October	\$14,280,451	2.42%	\$337,929
		2.66%	\$2,308,926

Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY \$ Growth
May	\$5,337,467	-25.13%	-\$1,791,182
June	\$6,857,807	6.62%	\$425,624
July	\$6,108,794	-0.97%	-\$59,616
August	\$5,772,614	3.89%	\$215,974
September	\$5,974,108	-17.35%	-\$1,253,859
October	\$5,599,704	-9.85%	-\$612,019
		-7.94%	-\$3,075,078

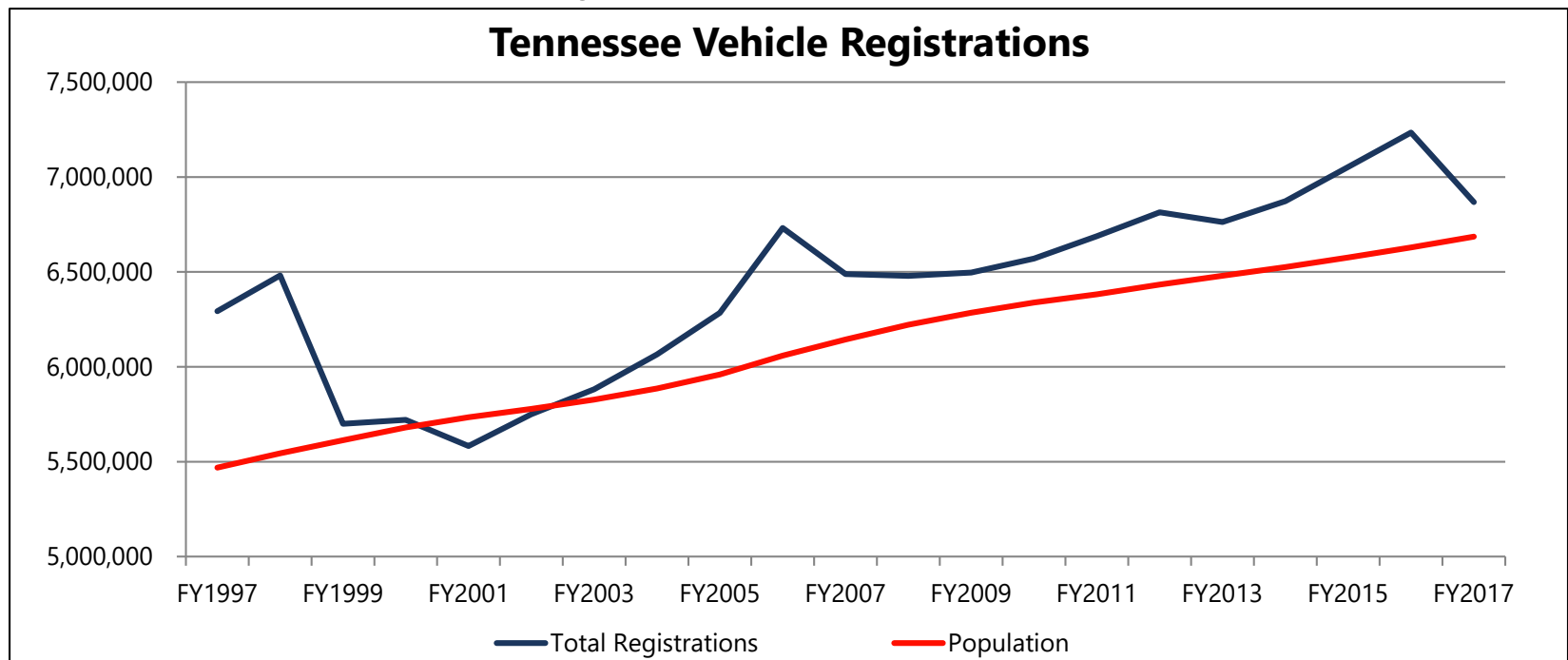
6 Month Total Growth

4.52%

\$16,606,222

Automotive

- Tennessee vehicle registrations decreased 5.1% from FY 2016 – FY 2017*
- By the end of FY 2018, vehicle registrations are expected to increase 2.3% from a year earlier



*This decrease is due to the termination of registrations no longer owned by the registrant as a result of PC 183 of 2013

Note: Registration data and forecast from the Department of Revenue, population data from the U.S. Census Bureau

Tax Implications

Direct Revenue Implications of Increased Automotive Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Motor Vehicle Dealers, New & Used

	Collections	YOY % Growth	YOY \$ Growth
May	\$53,552,078	1.14%	\$605,141
June	\$58,304,910	8.26%	\$4,450,346
July	\$55,257,511	3.18%	\$1,702,759
August	\$56,404,209	-1.39%	-\$796,088
September	\$58,428,742	-1.48%	-\$879,432
October	\$54,838,576	-0.07%	-\$39,995
		1.52%	\$5,042,731

Sales Tax Collections from Motor Vehicle Dealers, Used

	Collections	YOY % Growth	YOY \$ Growth
May	\$16,374,208	3.91%	\$615,663
June	\$16,801,009	13.69%	\$2,022,535
July	\$15,787,257	3.14%	\$480,437
August	\$15,618,550	-0.76%	-\$118,844
September	\$16,225,460	0.40%	\$65,396
October	\$14,786,192	-0.63%	-\$94,184
		3.21%	\$2,971,003

Sales Tax Collections from Auto Repair, Services, and Parking

	Collections	YOY % Growth	YOY \$ Growth
May	\$17,334,999	-0.33%	-\$58,106
June	\$18,497,574	7.06%	\$1,219,837
July	\$18,947,856	3.44%	\$629,683
August	\$18,002,940	5.06%	\$866,978
September	\$18,829,556	3.33%	\$607,040
October	\$18,051,767	0.97%	\$172,620
		3.24%	\$3,438,052

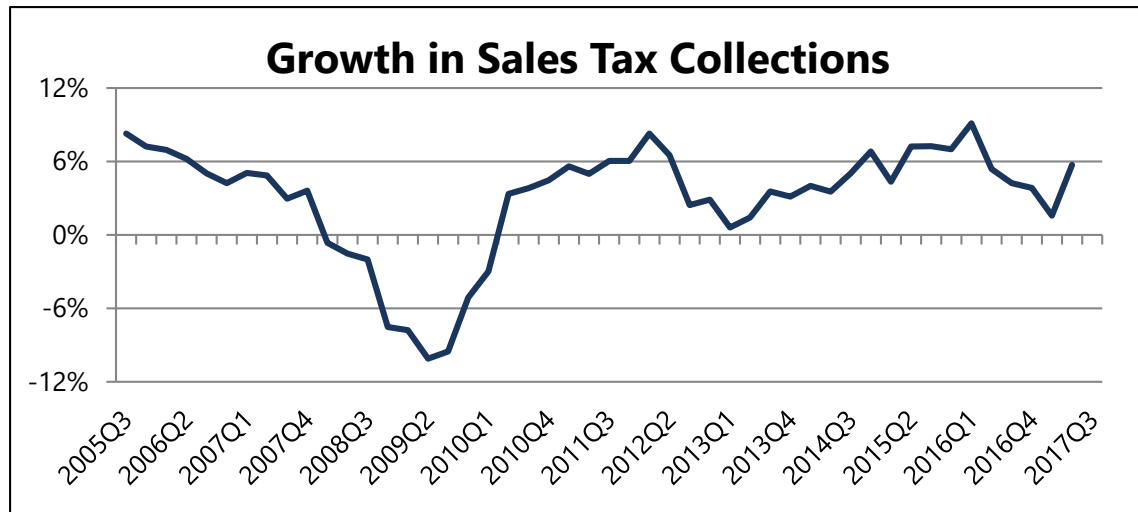
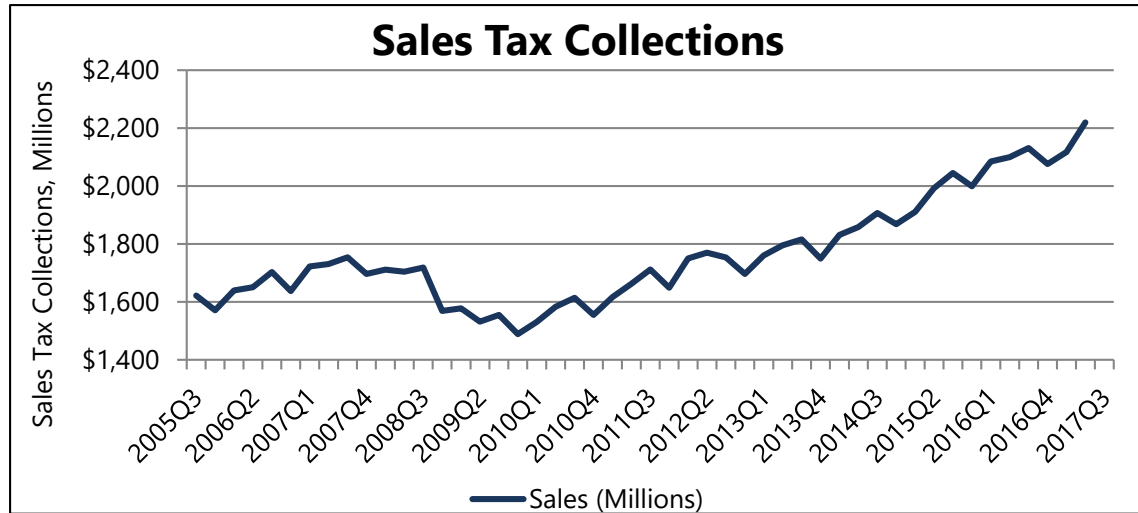
6 Month Total Growth

2.16%

\$11,451,786

Sales

- Sales tax collections increased 3.50% from FY 2016 – FY 2017
- By the end of FY 2018, sales tax collections are expected to increase 2.13% from a year earlier



Tax Implications

Direct Revenue Implications of Increased Sales Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

Sales Tax Collections from Eating & Drinking Places

	Collections	YOY % Growth	YOY \$ Growth
May	\$73,447,917	2.71%	\$1,940,158
June	\$74,635,908	7.08%	\$4,937,153
July	\$72,954,022	1.54%	\$1,107,226
August	\$71,931,097	0.73%	\$520,527
September	\$69,112,421	1.09%	\$745,625
October	\$70,955,369	1.08%	\$760,348
		2.37%	\$10,011,037

Sales Tax Collections from Hotels & Lodging Places

	Collections	YOY % Growth	YOY \$ Growth
May	\$20,585,191	-1.29%	-\$268,948
June	\$21,472,334	4.48%	\$921,568
July	\$23,577,177	2.19%	\$504,806
August	\$22,649,359	-6.21%	-\$1,500,645
September	\$20,797,155	7.50%	\$1,451,224
October	\$22,229,259	-3.02%	-\$692,981
		0.32%	\$415,024

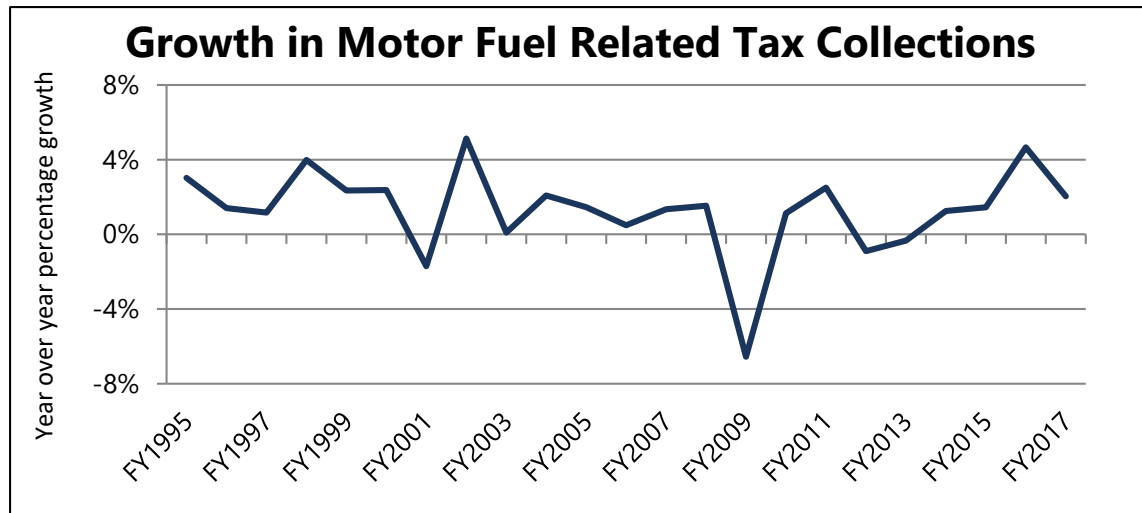
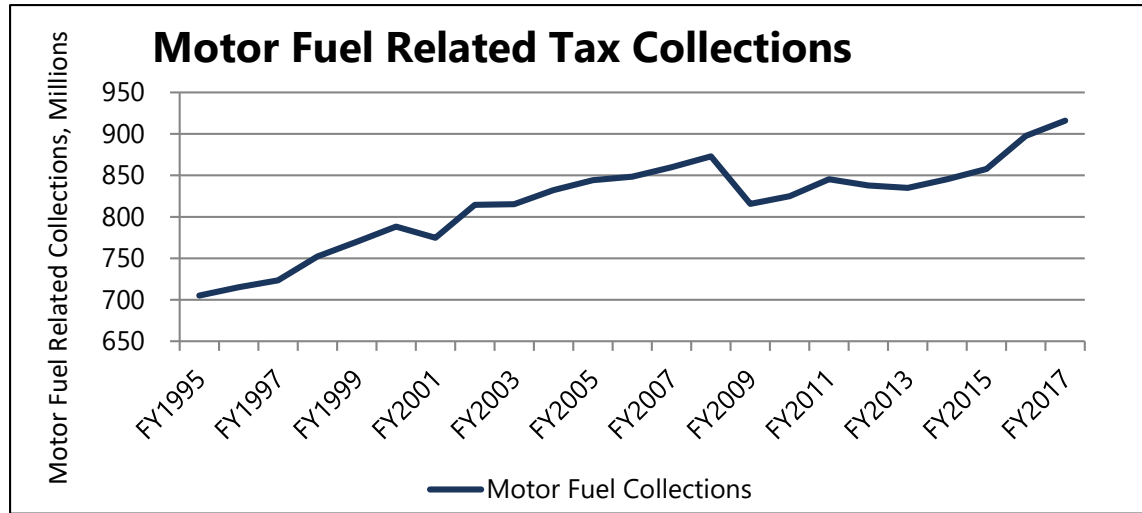
Mixed Drink (Liquor-by-the-Drink) Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
May	\$9,513,515	1.44%	\$134,626
June	\$9,832,242	10.61%	\$942,779
July	\$9,657,950	15.19%	\$1,273,590
August	\$9,173,011	10.20%	\$849,366
September	\$9,162,658	7.94%	\$673,847
October	\$9,721,182	16.13%	\$1,350,220
		10.08%	\$5,224,428

6 Month Total Growth	2.58%	\$15,650,489
-----------------------------	--------------	---------------------

Motor Fuel Related Collections*

- Motor fuel related tax collections increased 2.03% from FY 2016 – FY 2017
- By the end of FY 2018, collections are expected to increase 20.57% from a year earlier



Tax Implications

Direct Revenue Implications of Increased Motor Fuel Related Activity (Most Recent 6 Month Data) Growth is presented as year over year (YOY)

Sales Tax Collections from Gasoline Services Stations

	Collections	YOY % Growth	YOY \$ Growth
May	\$12,750,830	3.20%	\$394,890
June	\$13,270,656	3.56%	\$305,804
July	\$13,313,566	3.09%	\$398,813
August	\$13,152,066	0.98%	\$127,270
September	\$12,972,196	-1.73%	-\$227,771
October	\$12,746,359	-0.49%	-\$62,419
		1.21%	\$936,587

Gasoline Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
May	\$59,959,625	10.24%	\$5,562,267
June	\$56,007,204	-4.27%	-\$2,498,867
July	\$60,108,704	-2.84%	-\$1,757,134
August	\$71,250,559	26.74%	\$15,031,866
September	\$73,514,865	24.14%	\$14,296,381
October	\$72,239,785	46.12%	\$22,801,418
		15.73%	\$53,435,931

Motor Fuel Tax Collections

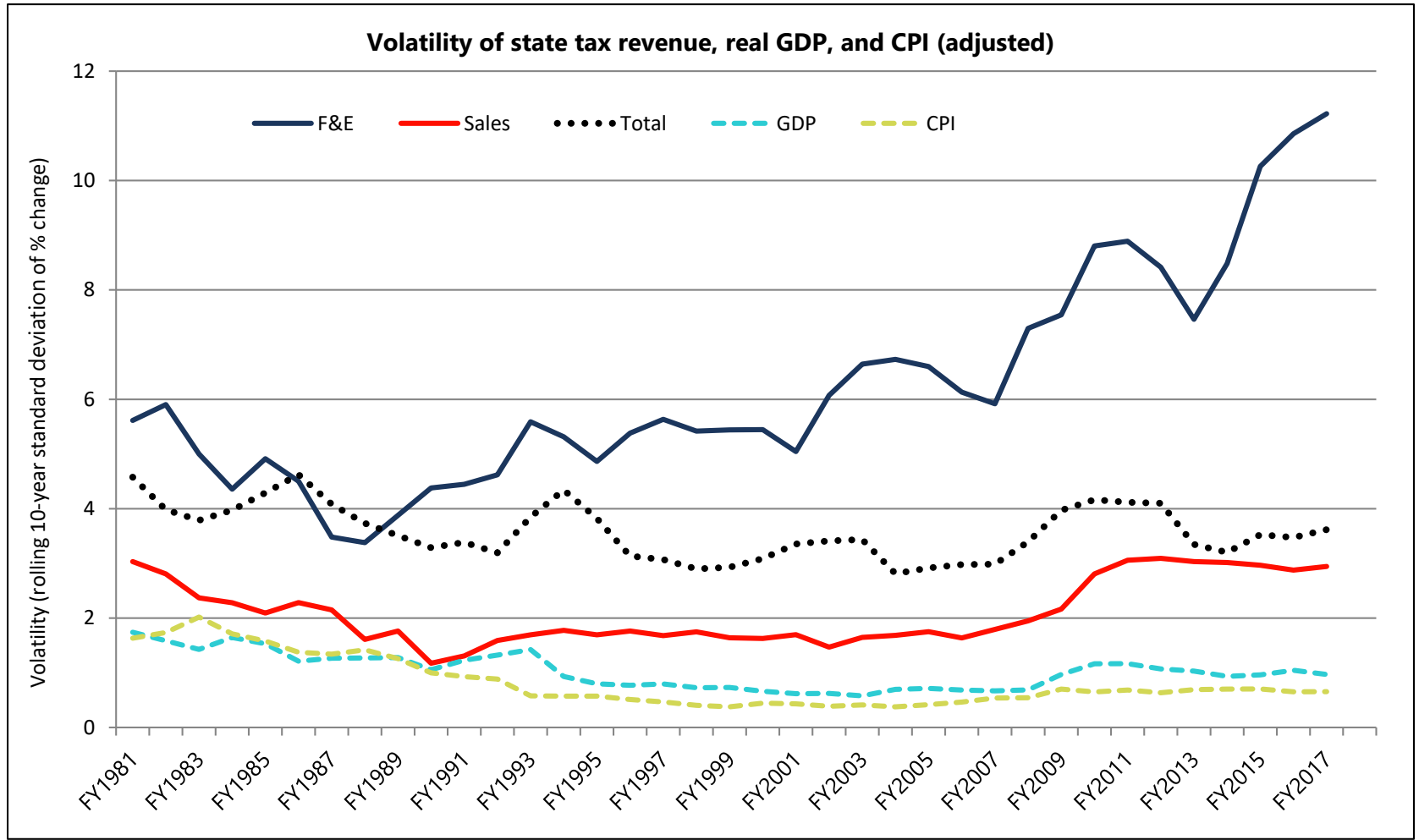
	Collections	YOY % Growth	YOY \$ Growth
May	\$14,013,853	17.51%	\$2,088,036
June	\$14,644,323	0.06%	\$9,031
July	\$16,007,550	-1.16%	-\$188,295
August	\$15,382,070	15.34%	\$2,045,886
September	\$20,942,445	40.47%	\$6,033,577
October	\$19,752,445	17.40%	\$2,927,260
		14.71%	\$12,915,495

6 Month Total Growth

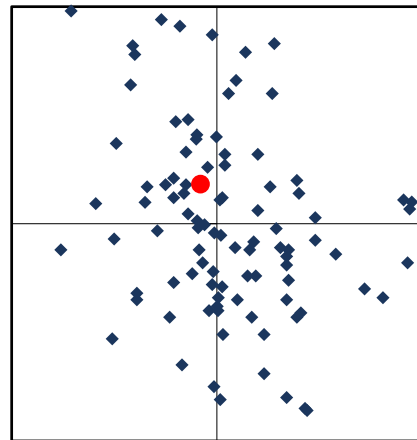
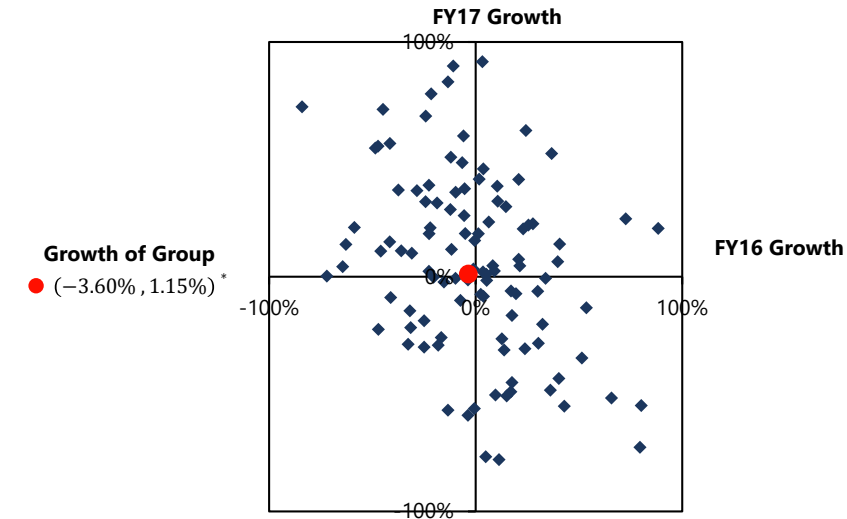
13.33%

\$67,288,013

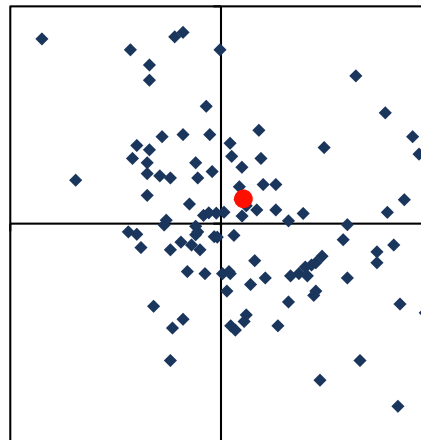
Tennessee Tax Volatility Comparison



YOY Change in Collections – Selected F&E Taxpayers



2015 Presentation

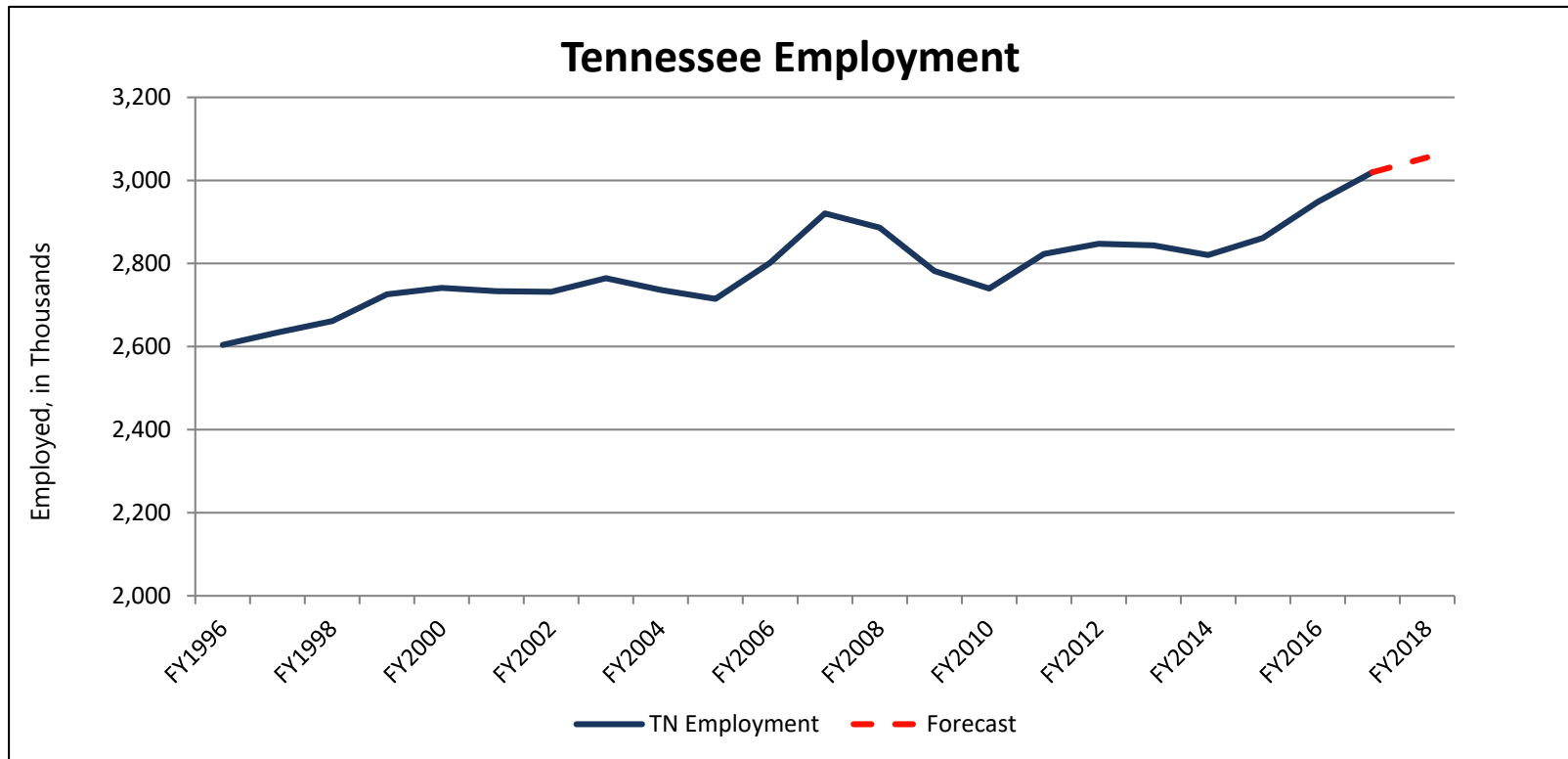


2016 Presentation

- These graphs shows growth rates of F&E accounts with collections greater than \$1M in the three prior fiscal years and growth rates less than 100%.
- There is inherent volatility in F&E collections even among the taxpayers with the highest annual collections.

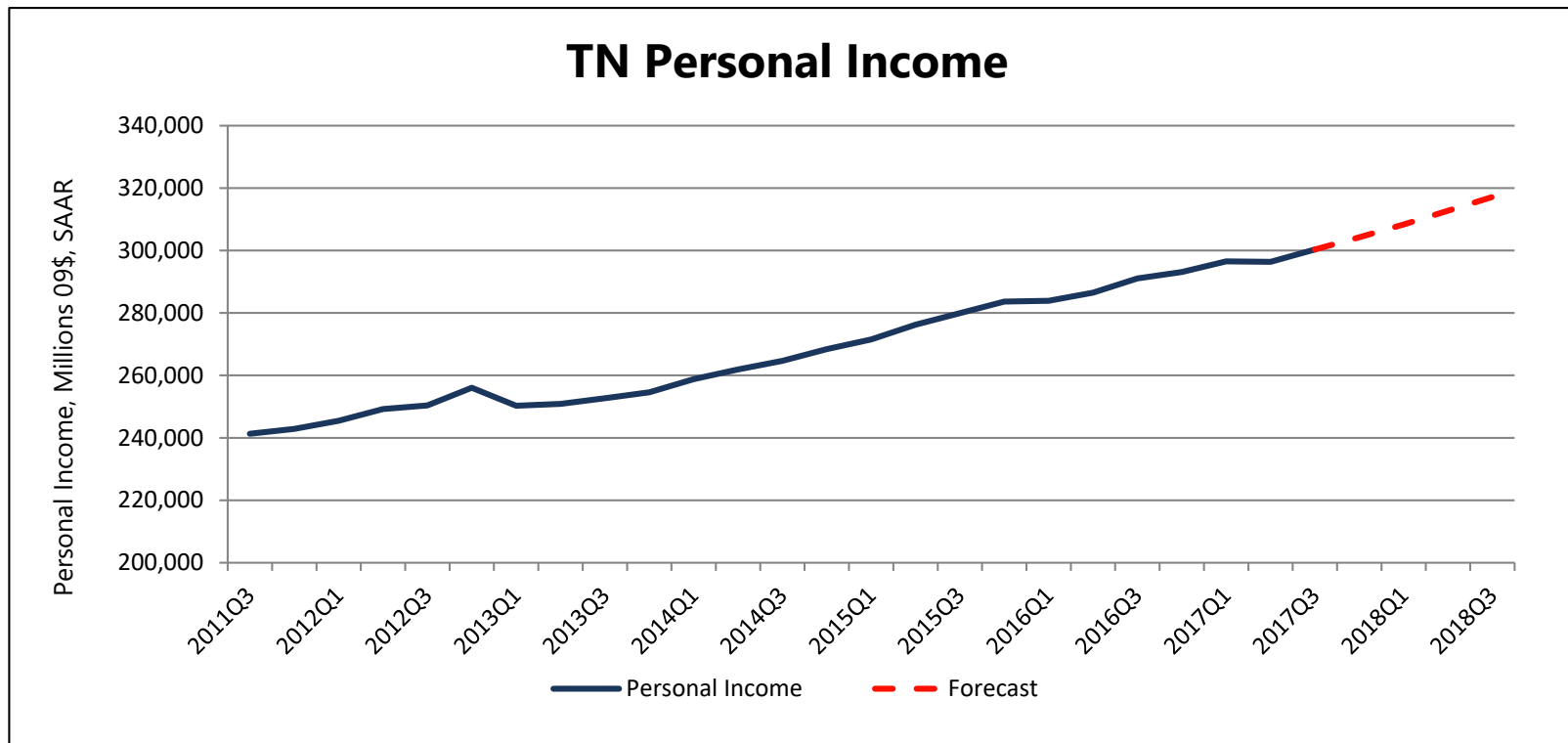
Tennessee Employment

- Strong growth in employment
- Steady employment growth is expected over the forecast horizon



Tennessee Personal Income

- Personal income gains of 3.80% for FY 2017
- Personal income gains of 4.13% are expected for FY 2018, led by growth wages and salaries



Public Chapter 92 of 2015

- Requires the Department to include in its estimates of franchise and excise tax revenue growth a description of whether the growth is recurring or nonrecurring.
- Unforeseen events can result in large, non-recurring changes in tax collections.
 - Mergers & Acquisitions
 - Audit Assessments
 - Voluntary Disclosure Agreements
 - Litigation

Non-Recurring Items

- Analyze daily tax revenue collections relative to previous years and budget estimates.
- Identify extraordinary or unusual payments using the Department of Revenue Business Intelligence tool and SAS programs.
- Focus analysis at the taxpayer level to identify the nature of payments and possible implications to total tax collections for the month.
- Maintain a list of one-time events and analyze any impact these payments may have on the following fiscal year.

Public Chapter 92 of 2015

- There are no known non-recurring items included in the estimates for fiscal year 2018, and the Department is not aware of any upcoming non-recurring payments in FY 2018.
- The fiscal year 2018 estimates do not include revenue estimates for any proposed or potential rule changes.

Summary of Legislative Impacts

- Revenue Modernization Act, IMPROVE Act, 2017 PC 194, 2016 PC 881, 2016 PC 1064

	Sales & Use	Franchise & Excise	Gasoline	Motor Fuel
FY16	\$15,646,513	-\$22,881,800	\$0	\$0
FY17	\$17,132,402	-\$82,030,136	\$0	\$0
FY18	-\$102,266,358	-\$114,030,388	\$136,880,000	\$43,038,932
FY19	-\$102,266,358	-\$131,092,690	\$171,100,000	\$75,289,728

	Income	Motor Vehicle Registration	Business	TOTAL
FY16	\$0	\$0	\$0	-\$7,235,287
FY17	-\$45,000,000	\$0	\$5,404,448	-\$104,493,286
FY18	-\$99,400,000	\$34,125,330	\$9,095,211	-\$92,557,273
FY19	-\$153,800,000	\$34,125,330	\$12,324,224	-\$94,319,766



REVENUE COLLECTION ESTIMATES
STATE FUNDING BOARD MEETING - 11/20/2017
Accrual year basis (USD)

SOURCE OF REVENUE		official	FY 2018		FY 2019	
Department of Revenue	Accrual Revenues FY 2017	Revenue Estimates FY2018	Revised Estimates FY 2018	% change ³ over FY 2017	Revenue Estimates FY 2019	% change ³ over FY 2018
	Actual					
Sales and Use Tax ¹	\$8,556,800,000	\$8,746,100,000	8,739,200,000	2.13%	9,045,200,000	3.50%
Gasoline Tax	669,600,000	807,300,000	810,800,000	21.09%	850,000,000	4.83%
Motor Fuel Tax	177,500,000	220,100,000	224,000,000	26.20%	259,800,000	15.98%
Gasoline Inspection Tax	68,200,000	68,600,000	68,800,000	0.88%	69,200,000	0.58%
Motor Vehicle Registration Tax	275,200,000	311,300,000	311,900,000	13.34%	315,100,000	1.03%
Income Tax	250,100,000	217,500,000	205,400,000	-17.87%	157,900,000	-23.13%
Privilege Tax ²	342,000,000	336,900,000	358,400,000	4.80%	372,200,000	3.85%
Gross Receipts Tax - TVA	341,600,000	345,000,000	343,300,000	0.50%	349,500,000	1.81%
Gross Receipts Tax - Other	31,900,000	29,000,000	33,000,000	3.45%	34,200,000	3.64%
Beer Tax	17,200,000	17,600,000	17,300,000	0.58%	17,400,000	0.58%
Alcoholic Beverage Tax	64,200,000	70,700,000	66,700,000	3.89%	69,800,000	4.65%
Franchise & Excise Tax	2,620,200,000	2,377,100,000	2,456,100,000	-6.26%	2,569,800,000	4.63%
Inheritance and Estate Tax	9,200,000	3,000,000	1,900,000	-79.35%	-	-100.00%
Tobacco Tax	255,700,000	258,400,000	252,100,000	-1.41%	248,100,000	-1.59%
Motor Vehicle Title Fees	23,900,000	23,900,000	24,900,000	4.18%	25,800,000	3.61%
Mixed Drink Tax	105,600,000	111,500,000	114,500,000	8.43%	124,800,000	9.00%
Business Tax	173,100,000	164,800,000	185,700,000	7.28%	194,100,000	4.52%
Severance Tax	1,200,000	1,300,000	900,000	-25.00%	1,000,000	11.11%
Coin-operated Amusement Tax	200,000	300,000	200,000	0.00%	200,000	0.00%
Total Department of Revenue	\$13,983,400,000	\$14,110,400,000	\$14,215,100,000	1.66%	\$14,704,100,000	3.44%
General Fund Only	\$ 11,764,900,000	\$11,707,300,000	\$11,799,900,000	0.30%	\$12,189,300,000	3.30%

¹Excludes \$112.0 million estimated earmarked fees collected under sales tax for E911 telecommunications service (2016 PC 1047).

²Excludes \$52.0 million estimated earmarked funds collected under the privilege tax.

³Percent change in revenue for each tax is the calculated percentage change *after* rounding to nearest \$100,000

Note: Totals may differ due to rounding

Definitions and Sources

- SAAR = Seasonally Adjusted Annualized Rate
- FY = Fiscal Year
- TN = Tennessee
- Data Sourced From:
 - Moody's Analytics (Fall, 2017)
 - BEA (Fall, 2017)
 - BLS (Fall, 2017)
 - U.S. Census Bureau (Fall, 2017)
 - TN Department of Revenue (Fall, 2017)
 - TN Department of Finance & Administration (Fall, 2017)